

Protecting Local Government Retirement and Benefits Act

Corrective Action Plan:

Defined Benefit Pension Retirement Systems

Issued under authority of Public Act 202 of 2017.

1. MUNICIPALITY INFORMATION

Local Unit Name: Ottawa County Road Commission Six-Digit Muni Code: 700100
Defined Benefit Pension System Name: Ottawa CRC
Contact Name (Administrative Officer): Amy Fairchild
Title if not Administrative Officer: Finance Director
Email: afairchild@ottawacorc.com Telephone Number: (616) 850-7209

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annually required contribution for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local unit of government has **180 days from the date of notification** to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(1) of PA 202 of 2017 (the Act), this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. ***You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document.*** Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. **If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system.** Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: **Corrective Action Plan-2017, Local Unit Name, Retirement System Name** (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Municipal Stability Board shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.

Review Process: Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

Considerations for Approval: A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan, a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

- (i) Closing the current defined benefit plan.
- (ii) Implementing a multiplier limit.
- (iii) Reducing or eliminating new accrued benefits.
- (iv) Implementing final average compensation standards.

Implementation: The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

3. DESCRIPTIONS OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

- **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Note: Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

- ☒ **System Design Changes** - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: *The system's multiplier for current employees was lowered from 2.5X to 2X for the **General Employees' Retirement System** on **January 1, 2017**. On page **8** of the attached actuarial supplemental valuation, it shows our funded ratio will be **60%** by fiscal year **2020**.*

Beginning in calendar year 2010 the Commission required employee contributions to the MERS defined benefit plan ranging from 3 to 5% of covered payroll (attachment - 2a 2017 actuarial valuation page 20). Effective March 1, 2014 and May 31, 2016 the Commission closed the MERS defined benefit plan to new non-bargaining and bargaining unit employees respectively (attachment - 7a benefit policy - retirement plans).

- ☒ **Additional Funding** – Additional funding may include the following: Voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: *The local unit provided a lump sum payment of **\$1 million** to the **General Employees' Retirement System** on **January 1, 2017**. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page **10** of the attached enacted budget, which highlights this contribution of **\$1 million**.*

The Commission has always made the annual required contribution to the MERS defined benefit plan as required by the actuarial valuation and state law. For calendar years 2011 through 2017 the Commission made additional annual contributions ranging from \$150,000 to \$1,200,000 (attachment 2a - 2017 actuarial valuation page 20). The additional annual contribution for Commission fiscal year 2017 was \$1,200,000 (attachment 2a - 2017 actuarial valuation page 20).

- ☒ **Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: *The information provided on the Form 5572 from the audit used actuarial data from **2015**. Attached is an updated actuarial valuation for **2017** that shows our funded ratio has improved to **62%** as indicated on page **13**.*

As of December 31, 2017 the Commission MERS defined benefit plan is funded in excess of the 60% funding requirement.

\$33,571,753 fiduciary net position (attachment 7b - statement of fiduciary net position page 1).

\$55,892,412 total pension liability (attachment 2b - 2017 actuarial valuation page 31).

60.1% funding percentage

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the additional actions the local government is planning to implement to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement **system** as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).

Category of Prospective Actions:

- ☒ **System Design Changes** - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: Beginning with **summer 2018** contract negotiations, the local unit will seek to lower the system's multiplier for current employees from 2.5X to 2X for the **General Employees' Retirement System**. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be **60%** funded by **fiscal year 2020** if these changes were adopted and implemented by **fiscal year 2019**.

As noted above the MERS defined benefit plan is closed to new employees and there is no intent to make changes to the plan at the current time.

- ☒ **Additional Funding** – Additional funding may include the following: voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: Beginning in **fiscal year 2019**, the local unit will provide a lump sum payment of **\$1 million** to the **General Employees' Retirement System**. This lump sum payment will be in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system's funded ratio to **61% by 2025**. Please see page **10** of the attached enacted budget, which highlights this contribution of **\$1 million**. Please see page **12** of the attached supplemental actuarial valuation showing the projected change to the system's funded ratio with this additional contribution.

The Commission will continue to contribute no less than the annual required contribution to the MERS defined benefit plan.

- ☐ **Other Considerations** – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: Beginning in **fiscal year 2019**, the local unit will begin amortizing the unfunded portion of the pension liability using a **level-dollar amortization method over a closed period of 10 years**. This will allow the retirement system to reach a funded status of **62% by 2022** as shown in the attached actuarial analysis on page **13**.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Ottawa County Road Commission to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

- ☒ **Yes**
☐ **No**

If No, Explain:

6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a .pdf to this Corrective Action Plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government's underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

Naming convention: when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document "Attachment 2a" and the second document "Attachment 2b".

Naming Convention

- ☒ Attachment – 1
- ☒ Attachment – 1a
- ☒ Attachment – 2a
- ☐ Attachment – 3a
- ☐ Attachment – 4a
- ☐ Attachment – 5a
- ☐ Attachment – 6a
- ☒ Attachment – 7a

Type of Document

This Corrective Action Plan Form (Required)

Documentation from the governing body approving this Corrective Action Plan (Required)

Actuarial Analysis (annual valuation, supplemental valuation, projection)

Internally Developed Projection Study

Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).

Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)

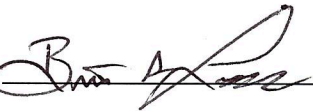
A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system's funded ratio

Other documentation, not categorized above

7. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

I, Brett Laughlin, as the government's administrative officer (*enter title*)
Managing Director (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

Signature



Date

8/30/18

**Excerpt of Minutes of
Board Meeting
OTTAWA COUNTY ROAD COMMISSION**

Commissioner Bird moved to approve and authorize the Managing Director to execute the corrective action plans for retirement pension and health care benefits as required by the Michigan Department of Treasury, seconded by Commissioner Gajewski and carried.

I, Brett A. Laughlin, Secretary of the Board of County Road Commissioners, County of Ottawa, do hereby certify this to be a true copy of an excerpt taken from minutes of a meeting of the Board of County Road Commissioners, County of Ottawa, held on August 30, 2018


Brett A. Laughlin, Secretary

Flow of Valuation Assets

Table 5

Year Ended 12/31	Employer Contributions		Employee Contributions	Investment Income (Valuation Assets)	Benefit Payments	Employee Contribution Refunds	Net Transfers	Valuation Asset Balance
	Required	Additional						
2007	\$ 944,244		\$ 0	\$ 2,520,464	\$ (2,129,678)	\$ 0	\$ 0	\$ 32,465,731
2008	1,034,742		0	1,354,599	(2,390,271)	0	0	32,464,801
2009	1,114,021		0	1,149,405	(2,476,766)	0	0	32,251,461
2010	1,368,473		15,270	1,570,797	(2,537,096)	0	0	32,668,905
2011	1,161,925	\$ 199,201	99,468	1,574,397	(2,687,495)	0	47,081	33,063,482
2012	1,020,592	150,000	154,411	1,355,607	(2,881,828)	0	0	32,862,264
2013	1,105,338	240,024	184,802	1,823,793	(3,195,110)	0	0	33,021,111
2014	1,291,160	232,098	215,174	1,803,271	(3,478,390)	(4,676)	0	33,079,748
2015	1,351,418	300,000	235,512	1,539,437	(3,625,432)	(1,349)	0	32,879,334
2016	1,700,545	400,136	245,342	1,581,300	(3,800,662)	0	0	33,005,995
2017	1,522,802	1,200,000	220,722	1,938,649	(3,927,856)	(8,493)	1	33,951,820

Notes:

Transfers in and out are usually related to the transfer of participants between municipalities, and to employer and employee payments for service credit purchases (if any) that the governing body has approved.

Additional employer contributions, if any, are shown separately starting in 2011. Prior to 2011, additional contributions are combined with the required employer contributions.

The investment income column reflects the recognized investment income based on Valuation Assets. It does not reflect the market value investment return in any given year.

The Valuation Assets include assets from Surplus divisions, if any.

GASB 68 Information

The following information has been prepared to provide some of the information necessary to complete GASB Statement No. 68 disclosures. Statement 68 is effective for fiscal years beginning after June 15, 2014. Additional resources, including an Implementation Guide, are available at www.mersofmich.com.

Actuarial Valuation Date:	12/31/2017
Measurement Date of Total Pension Liability (TPL):	12/31/2017

At 12/31/2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits:	140
Inactive employees entitled to but not yet receiving benefits:	14
Active employees:	83
	237

Covered employee payroll: (Needed for Required Supplementary Information)	\$ 5,076,613
Average expected remaining service lives of all employees (active and inactive):	3

Total Pension Liability as of 12/31/2016 measurement date:	\$ 55,068,361
Total Pension Liability as of 12/31/2017 measurement date:	\$ 55,892,412
Service Cost for the year ending on the 12/31/2017 measurement date:	\$ 488,560

Change in the Total Pension Liability due to:

- Benefit changes ¹ :	\$ 0
- Differences between expected and actual experience ² :	\$ 4,281
- Changes in assumptions ² :	\$ 0

¹ A change in liability due to benefit changes is immediately recognized when calculating pension expense for the year.

² Changes in liability due to differences between actual and expected experience, and changes in assumptions, are recognized in pension expense over the average remaining service lives of all employees.

Sensitivity of the Net Pension Liability to changes in the discount rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Change in Net Pension Liability as of 12/31/2017:	\$ 5,369,404	-	\$ (4,638,102)

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes it is net of administrative expenses.

<p style="text-align: center;">OTTAWA COUNTY ROAD COMMISSION</p> <p style="text-align: center;">BENEFIT POLICY</p>	<p style="text-align: center;">NUMBER: 8</p> <p style="text-align: center;">EFFECTIVE DATE: 05/26/16</p> <p style="text-align: center;">REVISION NUMBER: 1</p>
<p>SUBJECT: RETIREMENT PLANS</p>	

The Ottawa County Road Commission recognizes being financially secure during retirement is a high priority for many employees. As a result, the Road Commission offers a MERS retirement plan and various 457 deferred compensation plans. Any contributions to a retirement plan are withheld from employees' bi-weekly paychecks and put into their individual retirement accounts.

MERS Retirement Plans

Employees enroll in the eligible MERS retirement plan through the Human Resources Administrator at their time of hire.

Defined Benefit Plan

Non-Bargaining Employees hired before November 15, 2012 will have a MERS defined benefit plans B-3 or B-4 with FAC-3 effective upon date of employment. The required vesting period is 10 years of employment.

Non-Bargaining Employees hired after November 15, 2012 and before March 1, 2014 will have a MERS defined benefit plan B-1, FAC-3. The required vesting period is 10 years of employment.

Non-Bargaining Employees with a defined benefit plan shall contribute 3% of wages to the Pension Benefit Program.

Bargaining Employees hired before November 15, 2012 will have a MERS defined benefit plans B-3 with FAC-3 effective upon date of employment. The required vesting period is 10 years of employment.

Bargaining Employees hired after November 15, 2012 and before May 31, 2016 will have a MERS defined benefit plan B-1, FAC-3. The required vesting period is 10 years of employment.

Bargaining Employees with a defined benefit plan shall contribute 5% of wages to the Pension Benefit Program.

Defined Contribution Plan

Non-Bargaining Employees hired after March 1, 2014 will have a MERS defined contribution plan. The required vesting period is 5 years of employment.

Bargaining Employees hired after May 31, 2016 will have a MERS defined contribution plan. The required vesting period is 5 years of employment

Employees with a defined contribution plan shall contribute 3% of wages to the Retirement Benefit Program. The employer will also contribute 3% of wages to the Retirement Benefit Program. Effective June 1, 2018 Employees with a defined contribution plan shall contribute 4% of wages to the Retirement Benefit Program. The employer will also contribute 4% of wages to the Retirement Benefit Program.

457 Plans

The Road Commission contracts with third parties to offer 457 plans to the employees. Once enrolled, employees have the ability to access account information and perform account transactions by contacting the administrator's toll-free number or via the Internet. There is NO Road Commission match; employee accounts are funded solely by employee pre-tax contributions.

Adopted by the Board of County Road Commissioners: May 26, 2016

This policy supersedes and rescinds the previous Retirement Plans Policy of August 19, 2014.



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(800) 767-6377

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Ottawa County Road Commission
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PO Box 739
Grand Haven, MI 49417

Statement of Fiduciary Net Position For the Year Ending 12/31/2017

Customer Number: 700201

Reserve for Employee Contributions					
Bargaining Unit	Balance as of 12/31/2016	Invoiced & Other Contributions	Transfers	EE Refunds	Interest on EE Balance
70020101	\$798,555.28	\$133,630.52	(\$287,669.37)	\$0.00	\$9,852.56
70020110	\$525,993.74	\$61,210.87	(\$143,255.95)	(\$8,352.52)	\$6,743.67
70020111	\$17,503.25	\$3,759.84	\$0.00	\$0.00	\$308.06
70020112	\$0.00	\$22,120.41	\$106,326.05	(\$140.40)	\$1,834.32
70020113	\$0.00	\$0.00	\$24,634.57	\$0.00	\$0.00
Total	\$1,342,052.27	\$220,721.64	(\$299,964.70)	(\$8,492.92)	\$18,738.61
					\$1,273,054.90

Reserve for Employer Contributions and Benefit Payments

Bargaining Unit	Balance as of 12/31/2016	Invoiced & Other Contributions	Transfers & Fees	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2017
70020101	\$17,315,549.24	\$1,593,244.21	(\$126,188.07)	(\$2,373,897.64)	\$2,314,865.40	(\$36,905.46)	\$18,686,667.68
70020110	\$11,572,544.84	\$1,042,259.84	\$401,350.12	(\$1,435,764.58)	\$1,586,005.86	(\$25,155.00)	\$13,141,241.08
70020111	\$413,385.86	\$70,705.91	\$0.00	(\$118,192.80)	\$52,999.10	(\$848.77)	\$418,049.30
70020112	\$0.00	\$16,592.00	\$8,055.52	\$0.00	\$11,516.19	(\$188.08)	\$35,975.63
70020113	\$0.00	\$0.00	\$16,747.13	\$0.00	\$17.11	(\$0.19)	\$16,764.05
Total	\$29,301,479.94	\$2,722,801.96	\$299,964.70	(\$3,927,855.02)	\$3,965,403.66	(\$63,097.50)	\$32,298,697.74

Combined Reserves

	Balance as of 12/31/2016	Invoiced & Other Contributions	Transfers	Benefits Paid	Net Investment Income	Admin Expenses	Balance as of 12/31/2017
Total	\$30,643,532.21	\$2,943,523.60	\$0.00	(\$3,936,347.94)	\$3,984,142.27	(\$63,097.50)	\$33,571,752.64

Outstanding Accounts Receivable at 12/31/2017: \$157,923.44